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Chairman: Mr. Kmoníček ..... (Czech Republic)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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The meeting was called to order at 10.05 a.m.

Agenda item 124: Scale of assessments for the apportionment of the expenses of the United Nations (*continued*) (A/56/767, A/58/11, A/58/63 and A/58/189)

1. **Mr. Tal** (Jordan) said that his delegation endorsed the statement made by the representative of Morocco on behalf of the Group of 77 and China. The principle of capacity to pay must continue to be the basis for the apportionment of the expenses of the United Nations and all Member States should pay their assessed contributions in full, on time and without conditions. Due consideration must, however, be given to those Member States, especially the developing countries, that were unable to fulfil their obligations on account of difficult financial circumstances. His delegation noted with concern the increased assessments that had been proposed for many developing countries. While the increased rates had resulted from the elements of the scale methodology agreed upon in General Assembly resolution 55/5 B, they did not reflect the real capacity to pay of many developing countries. The problem was particularly acute in the Arab world, where the political situation and the crisis in the region were an obstacle to development.

2. The submission of multi-year payment plans reflected the desire of countries in arrears to pay those arrears. The submission of such plans, however, must continue to be on a voluntary basis.

3. **Ms. Al-Suwaidi** (United Arab Emirates) endorsed the statements made by the representative of Morocco on behalf of the Group of 77 and China and by the representative of the Syrian Arab Republic on behalf of the Group of Arab States. Her delegation was concerned at the increase in the rate of assessment for the United Arab Emirates, which followed an earlier increase and came at a time when the country, whose economy was heavily dependent on its finite oil resources, was experiencing severe financial difficulties. The statistics used as the basis for the assessment did not take into account the fact that a high proportion of the country's income was exported by its largely expatriate labour force. Nor did they reflect the fluctuations in the price of oil and the slowdown in the global economy.

4. The United Arab Emirates acknowledged the role played by the Organization in the maintenance of international peace and security, in promoting development and in the humanitarian and social fields. The cost of doing so, however, must be borne not only by those Member States that paid their assessed contributions in full, on time and without conditions, but also by Member States in arrears, which must also fulfil their obligations to the Organization. The United Arab Emirates would continue to support the United Nations as long as it had the ability to do so.

5. **Mr. Almutaa** (Libyan Arab Jamahiriya) said that his delegation associated itself with the statement made by the representative of Morocco on behalf of the Group of 77 and China and by the representative of the Syrian Arab Republic on behalf of the Group of Arab States. The proposed rates of assessment for the period 2004-2006 were higher for most Member States, especially those in the developing world. The proposed rate for the Libyan Arab Jamahiriya was particularly unfair since the country had suffered for more than a decade from the economic embargo imposed by the United Nations and from the unilateral embargo that was still in effect. The sanctions had had a severe economic and social impact on the country, including high inflation and a drop of 40 per cent in living standards. The freeze of the country's assets had also prevented it from investing abroad, and production in the crucial oil sector had declined as a result of the embargo on the sale of spare parts and equipment to the Libyan Arab Jamahiriya. The country had nevertheless continued to pay its assessed contributions to the Organization in full, on time and without conditions and to provide assistance to other developing nations.

6. **Mr. Requeijo Gual** (Cuba) said that his delegation endorsed the statement made by the representative of Morocco on behalf of the Group of 77 and China. While the rates of assessment of Member States had a direct impact on the capacity of Governments to discharge their financial obligations to the Organization, Member States must express their political support for the United Nations by fulfilling their legal obligation to contribute to its financing and pay their assessed contributions in full, on time and without conditions. The General Assembly should, however, make a distinction between the inability of some developing countries to pay their assessments because of economic difficulties and non-payment of contributions for political reasons.

7. His delegation noted with concern that approximately 84 per cent of the Member States whose rates of assessment were due to increase were

developing nations. The situation was all the more paradoxical in light of the inequities in the current system of international economic relations. While it was true that developing countries had experienced more robust growth in their gross national product for the statistical base period, in many cases Governments were being forced to make additional efforts to achieve their development objectives and internationally agreed targets, including the Millennium goals. The proposed rates, moreover, did not reflect the real capacity to pay of the developing countries, given the impact of the continuing downturn in the global economy and the persistent problem of fiscal deficits in many developing countries as a result of the decline in government revenues.

8. Cuba, which faced serious financial difficulties on account of the economic, trade and financial embargo that had been imposed more than 40 years previously, was one of the Member States whose rate of assessment was set to increase. Despite the embargo, Cuba was making extraordinary efforts to honour its financial commitments to the Organization and its record of payment was testimony to its political will. The scale methodology must be refined, however, to better reflect real capacity to pay.

9. His delegation welcomed the recommendations contained in paragraphs 21 to 41 of the report of the Committee on Contributions (A/58/11), which took account of the difficulties faced by a group of developing countries. He hoped that the practice would be continued and that consideration would be given to the requests of Member States for adjustments of their rates of assessment where such requests were due to circumstances beyond their control.

10. With regard to multi-year payment plans, his delegation was of the view that such plans should be voluntary and not linked to other measures, including the consideration of requests for exemption under Article 19 of the Charter. It also supported the request by the representative of Bosnia and Herzegovina that consideration of the arrears in payments of the former Yugoslavia should be deferred.

11. **Mr. Almansoor** (Bahrain) said that his delegation associated itself with the statements made by the representative of Morocco on behalf of the Group of 77 and China and by the representative of the Syrian Arab Republic on behalf of the Group of Arab States. It was concerned at the increase in the scale of assessments for Bahrain, which had one of the highest increases, and for other developing countries, and at the additional financial burden that it represented. The increases would no doubt have an impact on the ability of Member States to pay their assessed contributions in full, on time and without conditions. In the particular case of Bahrain, the increases were unjustified and should be revised when the scale was finalized.

12. **Ms. Rentanaar** (Switzerland) cautioned against any proliferation of requests for modification of the agreed scale methodology. Her delegation welcomed the initial observations of the Committee on Contributions on the criteria regarding ad hoc adjustments under rule 160 of the rules of procedure of the General Assembly, but shared the view that requests for adjustments might be avoided if the scale was based on more current information involving a shorter base period and automatic annual recalculation. There might also be fewer requests for the application of price-adjusted rates of exchange (PAREs) instead of market exchange rates (MERs) to determine gross national income (GNI). That would be particularly beneficial when there was no consensus as to whether or not a case could be made that an exceptional situation had arisen involving excessive fluctuations and distortions in the income of a Member State. She would welcome further guidance from the Committee on Contributions on the question of alternative conversion rates, in the light of the Committee's practical experience with the revised approach to PAREs.

13. Her delegation welcomed the additional information contained in the report of the Secretary-General on multi-year payment plans, which were a useful tool for reducing arrears and demonstrating a Member State's commitment to meeting its financial obligations. While such plans should remain voluntary, all Member States in arrears should be encouraged to submit them.

14. With regard to measures with a positive impact to encourage Member States to pay their arrears, her delegation supported the recommendation of the Committee on Contributions that it might be prudent to fix the deadline for timely payment from the date of issuance of the assessments, rather than from the date of their receipt. In order to encourage the full, timely and unconditional payment of assessed contributions, her delegation would also be willing to engage in a discussion of the specific measures that had been

considered by the Committee on Contributions at its earlier sessions, with a view to giving guidance to the Committee.

15. **Mr. Stoffer** (United States of America) said that the Committee had rightly decided to conduct its review of the scale of assessments for the period 2004-2006 on the basis of the elements of the scale methodology set out in General Assembly resolution 55/5 B. That resolution had been negotiated at a time when many countries were experiencing growth in wealth, a situation that sometimes changed quite rapidly and unexpectedly. The basic principles agreed upon in the resolution, however, remained relevant to the Committee's deliberations at the current session.

16. His delegation noted that the Committee on Contributions had in some cases agreed that modifications were necessary to address distortions in national income caused by the use of flawed or inappropriate rates of exchange. The issue of possible changes in the scale methodology, however, had not been addressed by the Committee nor was it up for discussion at the current session of the General Assembly. That was also true of requests for revisions of the scale of assessments for the apportionment of the expenses of United Nations peacekeeping operations. The methodology and instructions contained in resolution 55/235 should remain fully in effect, without exception.

17. The Committee on Contributions had provided thorough documentation in its report and its conclusions should therefore be accepted at the current session without prolonged discussion.

18. Multi-year payment plans were a useful means by which Member States in serious arrears could act on their intentions to improve their payments situation. His delegation commended those Member States that had adopted such plans, which should carry considerable weight when requests were made for temporary relief under Article 19 of the Charter.

19. With regard to the situation of the successor States to the former Yugoslavia, his delegation looked forward to any new information that might be presented on the issue.

20. **Mr. Ramlal** (Trinidad and Tobago) said that his delegation wished to associate itself with the statement made by the representative of Morocco on behalf of the Group of 77 and China. During the general debate, world leaders had reaffirmed their unswerving commitment to the high ideals and purposes of the United Nations, a timely gesture given the nature of the challenges facing the Organization as outlined by the Secretary-General in his opening statement. Implicit in the Secretary-General's remarks had been a call for Member States to rethink their conventional ways of doing business. The Fifth Committee could respond to that call by addressing the issues before it in a flexible, mature and responsible manner with a view to strengthening the United Nations. In that connection, there was a need for a greater political commitment from all Member States to pay their assessed contributions in full, on time and without conditions, but a parallel need to extend sympathetic understanding to those Member States that might be temporarily unable to meet their financial obligations on account of genuine economic difficulties. The Committee's handling of the requests for exemption under Article 19 of the Charter had been commendable and should be emulated in the Fifth Committee's deliberations.

21. With regard to the scale of assessments for the period 2004-2006, he said that his delegation abided by the General Assembly's decision, as contained in resolution 55/5 B, to fix the elements of the scale of assessments until 2006, and took the view that fixing elements of the methodology had ultimately made the task of the Committee on Contributions easier, thereby facilitating the generation of a single machine scale for 2004-2006.

22. He had taken note of the considerable efforts made by the Committee on Contributions to address the representations made by Member States regarding the preparation of the scale of assessments for 2004-2006 and was satisfied that, within the limits of the current methodology for the application of price-adjusted rates of exchange (PAREs), the Committee had acted with technical propriety. However, there was perhaps merit in the view that more systematic criteria for the use of PAREs should be developed.

23. He reiterated the general principle that capacity to pay was, and should remain, the essential criterion for determining the scale of assessments and expressed the hope that, consistent with the technical and political considerations inherent in the scale of assessments, due consideration would be given to ensuring adherence to the fundamental principles and processes that had guided deliberations on the item over the past 50 years.

24. **Mr. Al-Mansour** (Kuwait) said that his delegation wished to associate itself with the statements made by the representative of Morocco on behalf of the Group of 77 and China and the representative of the Syrian Arab Republic on behalf of the Arab Group. It fully supported the work of the Committee on Contributions and endorsed its report.

25. Despite the precarious economic situation facing many developing countries, there had been significant increases in the levels of their assessed contributions. However, they would continue to do their utmost to meet their financial obligations to the United Nations. In that connection, the sporadic financial crises experienced by the Organization were, in his view, not due to problems with the methodology underlying the calculation of the scale of assessments but rather to the failure of certain Member States to pay their assessed contributions. The political will of Member States to pay their contributions in full, on time and without conditions was essential to ensure the financial well-being of the United Nations. Kuwait had consistently demonstrated its political will in that area by being one of the first States to comply with its financial obligations.

26. Capacity to pay remained the essential criterion for determining the level of assessed contributions. Any methodology for the calculation of the scale of assessments must therefore take into account all elements affecting that capacity, in particular the special circumstances of some Member States mentioned in various General Assembly resolutions. It was imperative not to compensate for decreases in contributions from the developed countries by increasing the contributions of the developing countries.

27. **Mr. Ivashchenko** (Ukraine) said that the Committee on Contributions had unique and authoritative expertise to make proposals to the General Assembly regarding Member States' rates of assessment to the regular budget. Since the General Assembly had already agreed that the elements of the scale methodology should be fixed until 2006, the Fifth Committee should support the scale as recommended by the Committee on Contributions and, unlike in previous years, adopt the scale of assessments in an expeditious and constructive manner.

28. With regard to payment plans, he firmly believed that they should remain a voluntary tool for Governments seeking the rescheduling of their payments and must not be imposed on any Member State or automatically linked to other measures.

29. **Mr. Kovind** (India) said that his delegation wished to associate itself with the statement made by the representative of Morocco on behalf of the Group of 77 and China. The current methodology used to determine the scale of assessments, while not pretending to be very equitable and despite new and significant arrears of payment by countries facing difficult economic situations, had served the Organization well. Pursuant to General Assembly resolution 55/5 C and in accordance with rule 160 of the rules of procedure, the Committee on Contributions had reviewed and recommended the revised scale of assessments for the period 2004-2006 on the basis of that methodology.

30. Accordingly, the assessment rates of some Member States had risen significantly, including that of India, which was not surprising given the strong performance of the Indian economy in recent years. He welcomed the fact that, despite the concerns expressed by some Member States regarding the increases in their assessment rates, there appeared to be a consensus not to reopen the potentially ruinous debate on the issue of methodology until 2006.

31. Nevertheless, the financial situation of the United Nations was still a matter of some concern, owing to the high outstanding arrears of certain Member States. He hoped that the downward revision of assessments recommended by the Committee on Contributions in respect of those Member States that had not been able to meet their financial obligations on account of genuine economic difficulties would go some way towards alleviating the situation. In that connection, he endorsed the recommendations of the Committee regarding the modification of exchange rates used for those Member States in respect of which the use of market exchange rates (MERs) would cause distortions in the calculation of national income.

32. Turning to the criteria for ad hoc adjustments of the rates of assessment, he said that the deliberations of the Committee on Contributions had demonstrated that any attempt to develop such criteria was a futile exercise and that rule 160 of the rules of procedure was itself the only practicable criterion for such consideration. He hoped that the Committee would report conclusively on that matter at its next session.

33. Lastly, he reiterated the essentially voluntary nature of multi-year payment plans and commended those Member States that had presented such plans and those that had made efforts to reduce their arrears in accordance with their plans. However, he was somewhat disappointed that the Committee had been unable to elaborate further on measures to encourage Member States to pay their arrears and was ready to discuss the issue in the context of the updated information on the related experience of other organizations of the United Nations system.

34. **Mr. Kendall** (Argentina) said that his delegation wished to associate itself with the statements made by the representative of Morocco on behalf of the Group of 77 and China and the representative of Peru on behalf of the Rio Group. Capacity to pay should be the fundamental criterion in determining Member States' rates of assessment, since that capacity reflected a country's economic reality. The unprecedented financial crisis that was continuing to affect Argentina had demonstrated that a fixed exchange rate was not an adequate reflection of a country's economic reality or capacity to pay. Measuring its gross national income (GNI) on the basis of parity between the peso and the United States dollar would mean that Argentina's assessment rate for the period 2004-2006 would be calculated on the basis of a totally disproportionate GNI.

35. His delegation felt that such treatment would be unfair, and had therefore requested that, in accordance with accepted precedents, PAREs should be applied to the whole base period. Following intense discussions, the Committee on Contributions had decided to apply PAREs for the period 2000-2001 and, although his delegation maintained its belief that its original request would have been the best way of solving the problem, it respected the Committee's decision, which had been reached by consensus. Reopening discussions on recommendations reached by consensus would only complicate the work of the Fifth Committee and divest the Committee on Contributions of its authority. However, in view of the difficulties experienced by Argentina, his delegation supported the suggestion made by the representative of New Zealand regarding the need for the Committee on Contributions to develop more objective criteria for the use of PAREs.

36. **Mr. Barnwell** (Guyana) said that his delegation wished to associate itself with the statement made by the representative of Morocco on behalf of the Group of 77 and China. The Millennium Declaration remained valid in spite of ongoing debates about the future of the United Nations, and the overwhelming majority of Member States which had addressed the fifty-eighth session of the General Assembly had recognized the significance and contribution of the Organization and reaffirmed their commitment to its reform. However, the reform process would lose momentum unless Member States complied fully with their legal obligation to bear the expenses of the United Nations as apportioned by the General Assembly and to pay their contributions in full, on time and without conditions.

37. In conducting its deliberations on the question, the Fifth Committee must keep in mind that the principle objective of the methodology used for the calculation of the scale of assessments must be accuracy in determining Member States' real capacity to pay; that must remain the fundamental criterion in determining the apportionment of the expenses of the United Nations. He felt it was worth stressing that the difficult financial situation of the United Nations was not linked to the methodology used for the calculation of the scale of assessments and that a revision of that methodology would not have a significant impact on, or resolve, that situation.

38. Lastly, he emphasized that one of the most important aspects of discussions on the scale of assessments was openness and transparency in the negotiating process.

39. **Mr. Al-Bader** (Qatar) said that he had taken note of the marked and unexpected increase in the contribution rate of Qatar. The economy of Qatar was largely dependent on one or two main commodities, including oil, the price of which was subject to frequent and unpredictable fluctuations. The consequent unpredictability of the economic situation must be taken into account in the consideration of rates of assessment.

40. **Mr. Roa Arboleda** (Colombia) pointed out that his delegation had requested its removal from the speaker's list the previous morning. He hoped that the Chairman and the Secretariat would do their utmost to prevent the recurrence of such errors.

41. **Ms. Goicochea** (Cuba) recalled that, pursuant to paragraph 2 of its resolution 55/5 C, the General Assembly was due to review the position of the reduced ceiling at the end of 2003. In that connection,

she wished to know whether the Secretariat would submit a report on the question.

42. **Mr. Gilpin** (Chief of the Contributions Service) said that the Secretariat provided information on the status of Member States' contributions on a monthly basis. However, it was willing to provide the Committee with any additional information it might require.

43. **Mr. Sessi** (Chairman of the Committee on Contributions) assured the members of the Committee that their comments and observations would be conveyed to the Committee on Contributions. He was pleased that the report of the Committee on Contributions had served as a useful basis for the Fifth Committee's consideration of the scale of assessments for the period 2004-2006, and had noted members' concerns regarding the application of the methodology.

44. He believed that the Committee on Contributions would consider its approach to the scale of assessments for the period 2007-2009 at its next session. Although no decisions would be taken on the methodology to be used in that connection until 2005, any guidance from the Fifth Committee on specific issues, in particular the criteria for the use of alternative conversion rates, would be appreciated.

45. Turning to the question of multi-year payment plans, he said that the Committee on Contributions had been, and would continue to be, guided by paragraphs 17 to 23 of its report on its sixty-second session (A/57/11). In that connection, he reiterated that the Committee was committed to carefully considering the particular circumstances of each Member State on the basis of all the available information.

46. Lastly, with reference to the question posed by the representative of the United Arab Emirates, he said that the issue of the remittances of expatriates had been pointed out to the Committee two years previously and had been taken into account during its deliberations.

The meeting rose at 11.15 a.m.